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ABSTRACT

Federal funds to rural areas and small towns grew more rapidly in 1976-79 (the most recent data available for analysis) than Federal funding to metropolitan areas, but were still 10% less than the 1979 average. Nonmetro Federal funding per capita reached $1,994 (87% of the metro level). The South received $172 billion in Federal funds, more than any other region and nearly a third of the $483 billion national total. The West received the most dollars on a per capita basis. While nonmetro counties improved their overall position between 1976 and 1979, the most dramatic changes occurred in the most rural counties. The biggest gains occurred in totally rural counties not adjacent to a Standard Metropolitan Statistical Area. Differences persisted between nonmetro and metro areas in their reliance on types of programs. Nonmetro counties received a much larger share of their 1979 funds (40%) from income security programs, principally retirement and disability payments, than metro counties. Although nonmetro counties (except the very high counties) received nearly equal per capita funding, lower income nonmetro counties differed greatly in the programs that supported them. Human resources programs--education, health, and employment--accounted for the smallest portion of Federal dollars. Four tables and four figures illustrate the narrative. (BRR)

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Federal Funds in Nonmetro Areas: Patterns and Trends

J. Norman Reid
Eleanor Whitehead

Federal funds to rural areas and small towns grew more rapidly in 1976-79 than Federal funding to metropolitan areas, but were still 10 percent less than the 1979 national average. Nonmetro Federal funding per capita reached $1,994, 87 percent of the metro level. The South received $172 billion in Federal funds, more than any other region and nearly a third of the $483 billion national total. The West received the most Federal funds on a per capita basis.

This bulletin outlines the allocation of Federal dollars among regions and localities, concentrating on the recent gains in the level of Federal funding to nonmetro counties. Data are for fiscal years 1976-79, the most recent available for analysis. While recent and contemplated congressional actions will probably have major effects on Federal funding, it may take several years for those actions to be fully reflected at the local level. In the meantime, this bulletin should serve as a useful baseline against which to measure changes.

Federal funding is an important indicator of the Federal Government's level of activity in a locality, and measuring the flow of funds is a useful method of comparing intended policies with those that actually take place. By tracing Federal dollars distributed to localities under a variety of programs, it is possible to ascertain the real, as compared with the intended, Federal policy toward wealthy and poor areas, rural and urban, growing and declining, industrial and agricultural. Federal spending is also important as a source of income to many areas, and indicates the amount of economic stimulation the Federal Government provides in relation to local development needs.

Federal policies shift, of course, as do the underlying social and economic conditions those policies address. As a result, the flow of funds changes to meet new needs. These changes arise from redirection taken in hundreds of individual programs, whose aggregate effect can be assessed only by looking at Federal funding as a whole.

RC 01 3313

Funding for Nonmetro Areas Rose

Federal funding to nonmetro counties in the United States rose steadily between 1976 and 1979. Per capita Federal funding in nonmetro areas rose by 57 percent, from $1,271 to $1,994. Federal funding to metro areas grew less rapidly (48 percent).

This growth in funding improved the relative position of nonmetro counties (fig. 1). In 1976, nonmetro areas received 14 percent less Federal aid per capita than the national average. In 1979, their position had improved to 10 percent below the national average. During the same period, metro areas' advantage declined from 5.4 to 3.4 percent above the U.S. average.

For More Information

This bulletin is one i a series that analyzes statistics on Federal funding compiled by the Community Services Administration (CSA). Federal funding includes grants, contracts, salaries, and other administrative expenditures, payments to individuals, direct loans, loan guarantees, property transfers, and insurance. Responsibility for this data series was shifted to the Bureau of the Census, U.S. Department of Commerce, in 1981, when the CSA was disbanded. No data will be reported after those for fiscal year 1980.

The figures reported in this bulletin are based on the 87 percent of Federal funds that can be reliably traced to county levels. That issue, as well as the other trends reported in this bulletin, is discussed at greater length in Federal Funds in 1979: Geographic Distribution and Recent Trends by J. Norman Reid, Charles I. Hendler, and Eleanor Whitehead. That report also contains detailed information about the metro-nonmetro distribution of dollars for individual programs.

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These figures somewhat overstate the position of nonmetro counties, since nonmetro areas received a much larger share of their funding (21.9 percent) from loans and loan guarantees than did metro areas (11.8 percent). Loans have less value to the receiving community than grants since loans must be repaid. If loans are excluded from the comparison, nonmetro areas were 18 percent below the national per capita average of $1,898 and metro areas were 7 percent above it.

Changes Favor the Most Rural Counties

While nonmetro counties improved their overall position between 1976 and 1979, the most dramatic changes occurred in the most rural counties. Totally rural counties improved their position by 17 points. The biggest gains occurred in totally rural counties not adjacent to a Standard Metropolitan Statistical Area (SMSA). In 1979, these counties received nearly 12 percent more Federal funding than the national per capita average. All other nonmetro county groups were below the U.S. average.

Less urbanized nonmetro counties also improved their funding positions, but to a lesser degree. They continued to be the least funded nonmetro counties. Urbanized nonmetro counties, historically the best-funded nonmetro counties, lost ground during 1976-79.

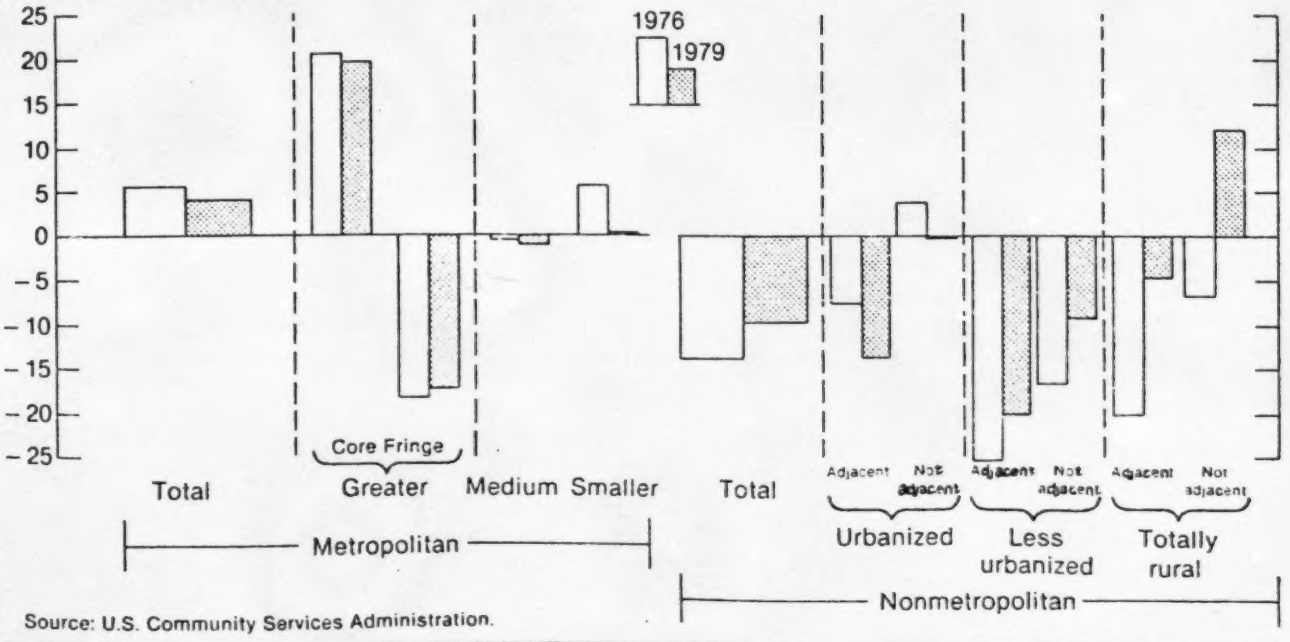
Most metro counties lost ground slightly between 1976 and 1979. Funding for the core counties of the Nation's largest SMSA's declined by 1 percentage point. These counties still had by far the largest funding advantage, nearly 20 percent above the national per capita level. Funding for medium metro areas and smaller metro areas also declined during the period; funding for both groups remained within 1 percent of the national average, however. The suburban fringe counties of the largest metro areas improved their position slightly, but they remained one of the least funded county groups.

It is not clear whether these changes signal long-term policy trends or merely shortrun fluctuations. Funding for some nonmetro counties peaked in 1978 and these counties declined slightly in relative position between 1978 and 1979. However, a number of Federal programs have extended their "reach" into more counties—especially rural ones—in recent years.[1] Rural counties will benefit if this trend con-

[1]Thomas J. Anton, Jerry P. Cawley, and Kevin L. Kramer, *Moving Money: An Empirical Analysis of Federal Expenditure Patterns* (Cambridge, Mass.: Oelgeschlager, Gunn & Hain, 1980), p. 61

Figure 1

Nonmetro share of funding grew between 1976 and 1979, but still lags behind metro share



Source: U.S. Community Services Administration.

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tinues. However, these gains may well be offset by recent cuts in many domestic programs. Higher spending for defense is unlikely to mitigate the effect, since most defense-related activities are in metro areas and most rural counties receive little direct benefit from defense outlays.

Composition of Funding Differs

Differences between nonmetro and metro areas in their reliance on types of programs continued to persist (table 1). National resources programs—defense, space, energy, administration, and others that in a broad sense benefit the Nation as a whole—contributed 37 percent of total Federal funds in 1979 but less than 23 percent of nonmetro funds (fig. 2). The more rural counties were far below the national average for these funds, due mainly to low levels of defense spending in these areas.

Nonmetro counties received a much larger share of their 1979 funds (40 percent) from income security programs—principally retirement and disability payments—than metro counties. These programs were especially important in the more rural counties. Among nonmetro counties, per capita funding for income security programs was highest in less urbanized and totally rural counties not adjacent to an SMSA. Core counties of the largest metro areas had the highest per capita funding for these programs, however.

Community resources programs—housing, transportation, regional development, and other infrastructural programs—were the third largest source of Federal funds nationally in 1979. They constituted 21 percent of nonmetro Federal funds and 19 percent of metro counties' Federal funds. Community resources programs were more important among the more rural counties, especially totally rural counties not adjacent to a metro area, which received more than 50 percent above the national average from this source of funds.

While agricultural and natural resources programs accounted for less than 5 percent of all funds nationally in 1979, they made up 13 percent of nonmetro funding and an even higher percentage in the more rural counties. Totally rural counties not adjacent to an SMSA derived 25 percent of their funds from these programs. These programs also provided significant funding for the less urbanized nonmetro counties.

Human resources programs (other than income security) were the smallest source of funds (3.8 percent). They were more significant for metro counties (4.2 percent) and for the urbanized nonmetro counties.

About the Classification of Counties

This report compares counties with one another based on their proximity to a metro area and the number of their urban residents. Metro counties are those located in Standard Metropolitan Statistical Areas (SMSA's). In general, an SMSA is a county or group of counties that contains a city or twin cities with 50,000 inhabitants or more. In addition to the county containing that city, adjacent counties are also included in an SMSA if they are socially and economically integrated with the central city. SMSA's are defined by the U.S. Office of Management and Budget using the latest census data.

In this report, SMSA's are divided into three classes:

- Greater--over 1 million residents;
- Medium--between 250,000 and 1 million residents;
- Smaller--fewer than 250,000 residents.

Greater SMSA's are further divided into core counties, which contain the central city, and fringe counties, which make up the suburban ring around the central city.

The nonmetro population resides in counties outside SMSA's. In this report nonmetro counties are divided into three classes based on the number of their urban residents. The Census Bureau defines urban residents as persons who live in places with a population of 2,500 or more. The classes of nonmetro counties are:

- Totally rural-under 2,500 urban residents;
- Less urbanized-2,500 to 20,000 urban residents;
- Urbanized-more than 20,000 urban residents.

Each of these classes of nonmetro counties is further categorized as to whether it is adjacent to an SMSA or not adjacent.

For further information about this system of classifying counties, see Fred K. Hines, et al., Social and Economic Characteristics of the Population in Metro and Nonmetro Counties, 1970. AER-272. U.S. Dept. Agr., Econ. Res. Serv. March 1975.

Table 1—Per capita Federal funds in metropolitan and nonmetropolitan counties, fiscal 1979[1]

Function	U.S. total	Metropolitan						Nonmetropolitan						
		Total	Greater			Medium	Smaller	Total	Urbanized		Less urbanized		Totally rural	
			Total	Core	Fringe				Adjacent	Nonadjacent	Adjacent	Nonadjacent	Adjacent	Nonadjacent
								Dollars						
Agriculture and natural resources	102	42	29	27	34	49	81	259	100	167	249	348	351	617
Agricultural assistance	68	17	6	3	14	25	45	198	66	96	204	269	257	514
Agricultural research and services	6	6	6	6	6	5	9	6	10	8	3	5	3	4
Forest and land management	11	5	4	5	3	4	11	25	11	27	15	37	29	52
Water and recreational resources	18	14	12	13	11	15	16	31	14	37	27	38	62	46
Community resources	432	435	427	466	348	457	414	425	331	411	385	455	584	675
Business assistance	28	21	18	19	17	20	34	47	29	54	44	59	61	65
Community facilities	58	30	23	21	27	34	55	128	74	73	120	139	229	326
Community and regional development	43	47	43	56	15	63	29	31	22	28	34	32	81	24
Housing	116	126	120	126	107	144	108	91	79	98	87	102	86	91
Housing (veterans)	78	94	89	82	106	100	98	38	52	67	30	25	31	16
Native Americans	6	3	3	4	1	3	3	15	8	11	9	17	8	61
Revenue sharing	21	21	22	26	15	20	19	20	20	21	19	21	19	21
Transportation	82	92	109	133	59	74	67	54	48	58	41	61	70	71
Human resources	85	98	96	120	48	101	99	53	72	66	33	47	33	58
Education and social services	27	27	26	33	13	26	29	27	24	31	23	29	24	36
Health services	11	14	15	19	6	12	12	6	8	11	3	4	3	3
Training and employment	47	58	55	68	26	63	58	20	39	25	7	14	6	19
Income security	785	777	797	900	585	757	739	806	786	737	811	843	800	843
Medical and hospital benefits	188	185	201	238	124	167	162	194	178	161	204	208	204	215
Public assistance and unemployment	99	104	116	147	52	91	85	88	79	89	85	95	95	96
Retirement and disability	498	488	481	515	410	499	492	524	528	487	523	540	501	532
National resources	809	948	1,027	1,134	805	838	881	452	613	830	289	308	335	277
Defense contracts	258	327	390	449	269	260	222	81	144	133	38	43	42	57
Defense payrolls and administration	201	220	156	143	182	284	345	153	235	387	75	64	49	49
Energy and space	75	84	102	100	108	56	74	51	51	104	38	35	109	14
Higher education and research	48	59	74	89	43	39	42	22	36	31	11	17	5	12
Veterans' benefits	95	102	103	119	71	100	102	77	87	84	70	77	59	59
Other functions	131	156	201	235	133	100	96	68	61	85	56	72	72	88
All functions	2,214	2,300	2,376	2,648	1,818	2,203	2,215	1,994	1,903	2,212	1,768	2,000	2,103	2,472

[1]The county classification system is explained in Fred K. Hines, David L. Brown, and John Zimmer, *Social and Economic Characteristics of the Population in Metro and Nonmetro Counties, 1970*. AER-272. U.S. Dept. Agr., Econ. Res. Serv., Mar. 1975.

Note: Detail may not agree with totals due to rounding.

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Differences in Funding for Low-Income Nonmetro Areas

There are several reasons to expect Federal funding to differ between low- and high-income areas. Not only has the Federal Government sponsored grant and loan programs to promote economic and community development in depressed counties, but it provides large amounts of social welfare assistance to poor and dependent persons. Both sets of programs are directed to areas with higher concentrations of poverty.

Despite those expectations, all nonmetro counties (except the very high-income counties) received nearly equal per capita funding (table 2). Overall funding for all but the highest income counties differed by no more than $40 per capita, or 2 percent of the total. Counties with per capita incomes over $9,000 (the highest income counties) received very high levels of funding for energy, space, defense, community resources, and agricultural assistance. They averaged more than twice the per capita level of funding of any other group of counties. These high-income counties, few in number, are clearly unusual cases.

Though nearly equal in per capita funds received, the lower income nonmetro counties differed greatly in the programs that supported them (fig. 3). Counties with 1977-78 incomes less than $4,500 per capita received almost 43 percent of their Federal dollars from income security programs. More than half of these funds came from retirement and disability programs that are not necessarily associated with serving low-income populations. What made these poor counties unique, however, was a much heavier than average reliance on public assistance and unemployment programs and, to a lesser degree, medical and hospitalization benefits. Counties with higher average incomes, on the other hand, relied less on income security programs, especially public aid and unemployment programs.

National resources programs, which include mainly defense and space programs (but also programs for

Figure 2

Relative importance of Federal funds, by function and metro status, fiscal 1979

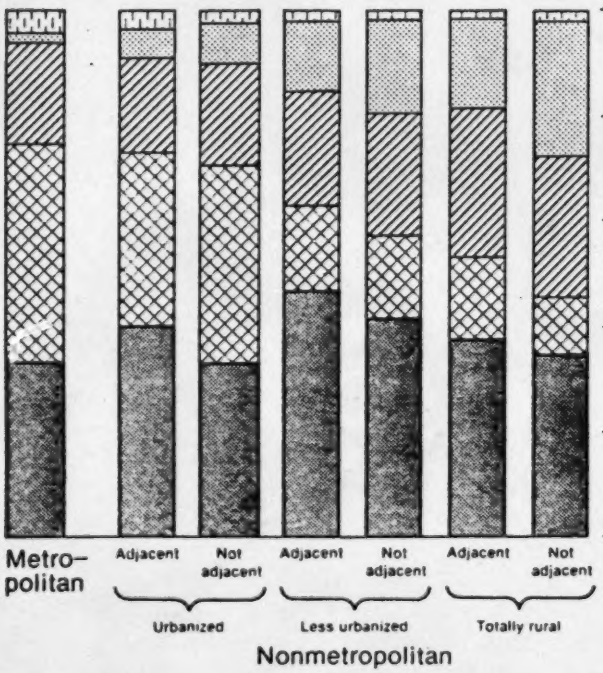
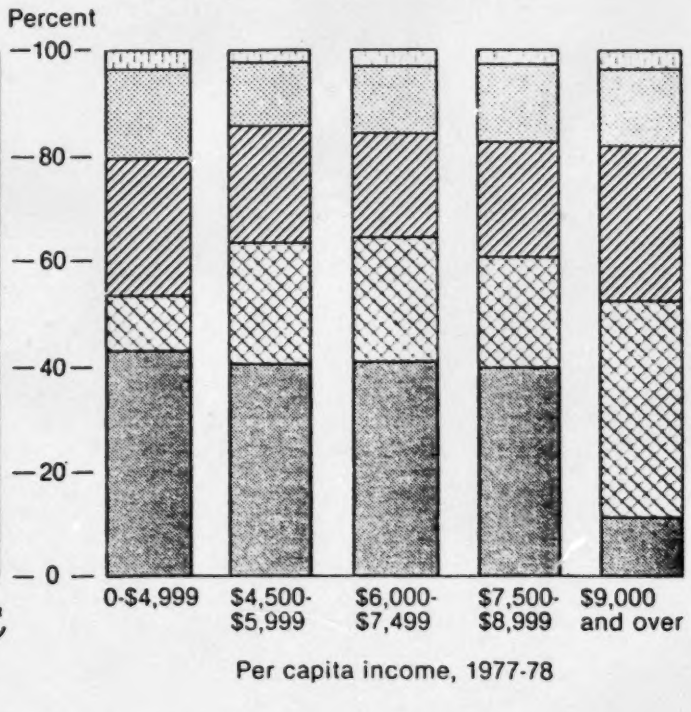


Figure 3

Nonmetro Federal funding, by function and income level, fiscal 1979



Human resources
Agriculture and natural resources
Community resources
National resources
Income security

Source: U.S. Community Services Administration.

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Table 2—Per capita Federal funds to nonmetro areas, by income level, fiscal 1979

Per capita income[1]	Counties	Federal funds
	Number	*Dollars*
$0-4,499	305	1,962
$4,500-5,999	1,072	1,981
$6,000-7,499	898	1,967
$7,500-8,999	196	1,999
$9,000 & above	39	4,873
Total	2,510	1,994

[1]Average of 1977 and 1978 residence-adjusted personal income.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

veterans, energy research, higher education and research, and general government administration), were most important for the highest income nonmetro counties, where they accounted for 41 percent of Federal funds. They were much less important for the poorest counties. Wealthy counties relied to an exceptional degree on energy and space funding and, to a lesser extent, on defense contracts. The lowest income counties received little funding from any of those sources except veterans' programs. Counties in the $4,500-$7,500 range were near the nonmetro average for these programs.

Community resources programs were more significant for both the lowest and highest income counties than for those in the middle categories. However, the mix of programs differed between them. High-income counties relied more on transportation, housing, and business assistance programs, while low-income counties relied more on developmental programs and those designed to build public facilities. This is not surprising since many of the latter programs were targeted to poorer areas. Both high- and low-income nonmetro counties relied much more than average on programs for American Indians.

Agricultural and natural resources programs made up a relatively small share of funding for all income groups. As a percentage of all funds, they were most significant to the lowest income nonmetro counties and least important to the middle-income counties. Agricultural assistance and water and recreational programs accounted for most of the agricultural funding for those counties. Among the wealthiest counties, forest and land management programs also ranked high.

Human resources programs (which exclude income security programs) made up the smallest part of the Federal funding for all counties, but were more significant for counties with the highest and lowest average incomes. Training and employment programs were a larger part of the total for the three higher income categories, and poorer counties relied on these programs much less than average. Education and social services programs were most important in the low-income counties, followed by those with the highest incomes.

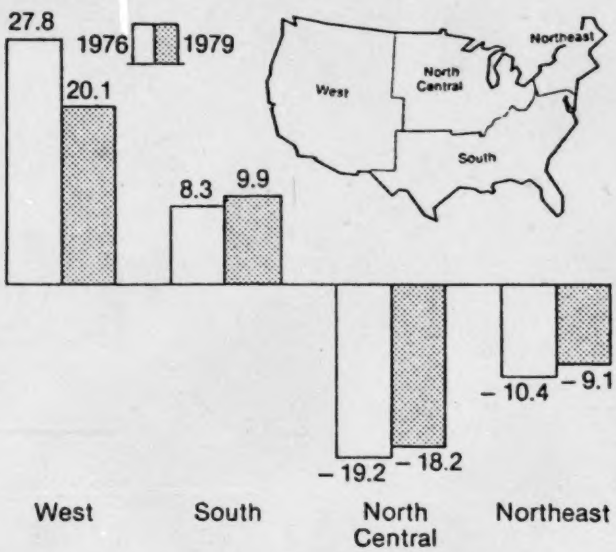
Funds Concentrated in West, South

Federal funds were distributed rather unevenly among the Nation's regions (table 3). By far the largest amount of 1979 funds went to the South. The West and the North Central region received nearly identical amounts. The Northeast received the least.

Much of this difference, of course, resulted from wide differences in the populations of the regions. When funding per capita is compared, the picture is somewhat different. The West received the largest share of dollars per capita since its funds were distributed among fewer people than the other regions. The South, with both the most dollars and the most residents, was next. The Northeast had the fewest dollars and the third highest per capita total. The North Central States, with 19 percent more population than the Northeast but only 14 percent more funds, had the lowest per capita total.

Figure 4

Regional differences in per capita outlays*



*Percent difference from U.S. average per capita.

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Table 3—Federal funds by region, fiscal 1979

Region	Federal funds		1978 population
	Total	Per capita	
	Bil. dol.	*Dollars*	*Million*
Northeast	98.8	2,012	49.1
North Central	105.6	1,811	58.3
South	171.8	2,434	70.6
West	106.6	2,658	40.1

These regional differences have persisted over time. Between 1976 and 1979, the regional differences moderated only slightly, with all regions except the South moving closer to the national per capita average (fig. 4).[*] However, except in the West, these movements were slight and it is not clear that they signal any fundamental shift in the allocation of Federal funds.

The distribution of Federal funds by function was by no means uniform across the regions (table 4). The largest function was national resources, comprised mainly of defense and space programs. These programs provided more funds in the West and South than other categories and accounted for around 40 percent of the total in these regions. In the Northeastern and North Central regions, however, income security programs were the largest source of funds, mainly due to the large amounts of support payments in the Northeast and the low levels of defense, space, and energy funding in the North Central region.

In all regions, community resources programs—including business development, community development, housing, and public infrastructure programs—ranked as the third most important source of Federal funding: they accounted for about a fifth of all funds nationally. Housing programs made up the largest part of this category and were the main reason why per capita community resources funding was so high in the West. The South also ranked high in community resources funds due to high funding levels for business and community development and transportation.

Agricultural and natural resources programs totaled less than 5 percent of all funds nationally. They were especially important in the North Central region, where—due to payments to farmers—they made up 7 percent of the total. However, large outlays for land management and natural resources left per capita levels of funding highest in the West. This function made up only a very small part of the funds going to the Northeastern region, which has neither extensive Federal landholdings, as in the West, nor a major agricultural economy, as in the North Central or Southern regions.

Human resources programs—education, health, and employment—accounted for the smallest portion of Federal dollars. More of these funds per capita went to the West than to any other region; the least went to the North Central States.

[*]This finding parallels similar trends in the 1969-76 period. See Advisory Commission on Intergovernmental Relations, *Regional Growth: Flows of Federal Funds, 1952-76.* A-75. Washington, D.C.: Gov. Print. Off., June 1980, p. 60.

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Table 4—Per capita Federal funds, by region, fiscal 1979

Function	United States	Northeast	North Central	South	West
			Dollars		
Agriculture and natural resources	102	20	127	117	143
Agricultural assistance	68	9	108	79	61
Agricultural research and services	6	2	5	11	4
Forest and land management	11	2	5	8	34
Water and recreational resources	18	7	10	19	43
Community resources	432	294	337	523	580
Business assistance	28	19	23	40	26
Community facilities	58	31	70	73	45
Community and regional development	43	43	26	69	21
Housing	116	66	87	116	219
Housing (veterans)	78	23	48	105	143
Native Americans	6	0.3	4	4	22
Revenue sharing	21	24	19	19	22
Transportation	82	87	60	96	81
Human resources	85	91	68	90	95
Education and social services	27	24	20	32	31
Health services	11	12	8	15	9
Training and employment	47	55	39	44	55
Income security	785	912	762	753	719
Medical and hospital benefits	188	245	183	167	161
Public assistance and unemployment	99	115	78	104	103
Retirement and disability	498	553	501	482	455
National resources	809	695	518	951	1,121
Defense contracts	258	314	175	213	392
Defense payrolls and administration	201	95	93	303	311
Energy and space	75	28	28	103	150
Higher education and research	48	55	33	60	43
Veterans' benefits	95	85	78	115	96
Other functions	131	119	111	158	129
All functions	2,214	2,012	1,811	2,434	2,658
			Million		
Population	218.1	49.1	58.3	70.6	40.1

Note: Detail may not add to totals due to rounding.

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